

# President's Statement

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The Hewlett Foundation seeks to promote the well-being of humanity by focusing on the most serious problems facing society, where risk capital, responsibly invested, may make a difference over time, and on sustaining and improving institutions that make positive contributions to society.

—*Hewlett Foundation Guiding Principle*

**T**his essay summarizes the Hewlett Foundation's approach to philanthropy. It does not focus on the substance of the Foundation's programs, each of which would require a separate essay. Rather, it discusses the way we think about and do our work throughout the Foundation. Our approach grows out of the core principle quoted above, which was adopted by the Board of Directors several years ago in an effort to capture the spirit of the founders and the Foundation's practices in its first three decades. The guiding principle articulates three fundamental values:

- First, the Hewlett Foundation is concerned primarily with solving social and environmental problems. This requires that we define program objectives, grants, and other activities in terms of problems to be solved; identify criteria for evaluating success and indicators of progress; and be prepared to stay the course.
- Second, the solutions to serious problems are seldom known with anything close to certainty. The Foundation must therefore be prepared to experiment and take risks in its philanthropic activities. This, too, entails clear objectives and measures of success, without which we cannot know how the risk eventuated. It also requires a willingness to acknowledge and learn from failures.
- Third, a vibrant nonprofit sector is essential to a free society. Nonprofit organizations—and, in some cases, government and private entities as well—are necessary partners in achieving the Foundation's mission. These factors explain the high proportion of our grants budget allocated to general operating support. They also imply a concern both for the health of individual organizations and for the fields in which they operate.

### *The Foundation's Programs*

*Programs and Program Elements.* The Foundation has seven programs: Conflict Resolution; Education; Environment; Children, Families, and Communities;\* Performing Arts; Population; and U.S.–Latin American Relations. Each program includes a number of initiatives or elements with their own articulated objectives. For example, the Education Program supports work involving technology, community colleges, and educational policy and reform.

*Interprogram Collaboration.* Because real-world problems do not fit neatly into disciplinary or programmatic categories, the Foundation encourages interprogram collaborations. For example, the Population and Education programs jointly support work in universal basic and secondary education. The U.S.–Latin American Relations Program collaborates with the Conflict Resolution Program on issues of public security and with the Environment Program on freshwater resources at the border between Mexico and the United States. Such collaborations build on and expand the collective expertise of the program staff.

*Special Projects and the Support of Philanthropy.* While most grantmaking takes place in the seven program areas, the Foundation values being able to respond flexibly to unanticipated problems and opportunities. Thus, in extraordinary circumstances, we support “Special Projects” that do not come within the guidelines of a particular program. Recent examples include funding for the National Commission on Election Reform and an initiative on “Americans in the World,” intended to improve Americans’ understanding of global issues. Special Projects sometimes serve as an incubator for ideas that may become part of the regular programs. Thus, an Energy Initiative has become an integral element of the Environment Program.

A portion of the Special Projects budget is devoted to the support of philanthropy. In addition to trying to model effective philanthropy in the Foundation’s own work, we fund efforts to create and disseminate knowledge about philanthropy, encourage and edu-

*\* This will become the focus of what is currently the Family and Community Development Program.*

cate new philanthropists, and improve social capital markets—that is, improve the flow of information and capital between funders and organizations in need of philanthropic support. A recent initiative that furthers most of these goals is the co-sponsored Global Philanthropy Forum, designed to encourage and facilitate U.S. philanthropists' investments in organizations beyond our borders.

### *Long-Term Impact Through Sustained Engagement*

Market forces often pressure business executives to focus on immediate results. Politicians often feel similar pressures from their constituents and may be reluctant to take risks in unexplored or controversial areas. By contrast, the independence of foundations allows them to seek long-term solutions to the problems facing society, and also to take risks that have high potential social gains.

*The Presumption of General Operating Support.* The goals of achieving long-term impact and improving the institutions that make positive contributions to society are, on the whole, complementary and imply a presumption in favor of providing those institutions with general operating support. Over half of the Hewlett Foundation's annual grants budget is allocated for this purpose.

The presumption of general operating support is undergirded by several rationales. Foremost is the belief that a vibrant democratic society requires an array of strong nonprofit institutions that allow citizens to come together to express and further their various concerns and interests. At their best, these institutions have a breadth and depth of expertise that few foundations can match, and they are able to respond to changing circumstances in the areas in which they work. In addition to their individual missions, these institutions, which constitute the core of "civil society," contribute to pluralism and polyarchy and provide important checks on the power of government and the private sector.

The presumption of general operating support responds to these considerations and also to the mundane fact that, when foundations designate funds for a particular project, they typically limit "overhead" to a percentage of the grant that falls far short of covering the actual cost of the project. Many organizations—especially

those without independent support from members or alumni—would not have the capacity to undertake projects in the absence of general operating support: Someone has to pay for staff benefits, rent, and the utility bill.

That said, a substantial portion of the Hewlett Foundation's grants budget also supports specific projects. Often, this is the result of being approached by an organization—say, a university or school district—for funding to develop or implement a particular idea. In the case of an organization with multiple missions, the organization's and Foundation's objectives may be especially strongly aligned with a specific project; or the project may have great potential benefits for the field but be sufficiently risky that the organization reasonably would not devote unrestricted funds to it. These factors are exemplified by the Foundation's support for MIT's OpenCourseware project, which seeks to make the University's course materials available free on the Internet.

*Long-Term Support for High-Performing Organizations.* A corollary of the presumption of general operating support is the Foundation's practice of providing grants of several years' duration and of renewing support to high-performing organizations. Long-term support permits organizations to plan with reasonable certainty. It also strengthens their capacity, self-confidence, flexibility, and ability to innovate. However, an organization's effectiveness must be continually demonstrated as new challenges appear and new institutions arise to address them. Thus, though we make a point of not succumbing to "donor fatigue" with existing grantees, we also seek out ambitious new organizations whose well-conceived strategic plans and energetic leadership can compensate for the absence of a long track record.

*Support for the Fields in Which the Foundation Works.* An organization does not operate in a vacuum, but is part of a field—for example, elementary education or chamber music—defined by activities and bodies of knowledge. Lasting impact often requires attention to the field as a whole—by promoting collaboration among existing organizations, occasionally creating new institutions to fill gaps, and developing knowledge of importance to the field. For example, the Hewlett Foundation has convened regular meet-

ings of U.S. western water law judges, facilitated the merger of a number of small competing conflict resolution organizations into a single entity, and supported both basic and applied research in education.

The Foundation also participates in a number of “affinity groups” that bring together funders in a field to exchange information, learn from experts, and plan future work. In addition to making grants to support research in a field, the Foundation is committed to publicly disseminating knowledge developed by program staff, consultants, and others. For example, the Foundation’s Web site, [www.hewlett.org](http://www.hewlett.org), contains substantive reports that aided our strategic planning work in the Environment and Population programs.

Sustained commitment to a field can make a difference: Through two decades of supporting organizations of practitioners and researchers, for example, the Hewlett Foundation played a major role in establishing the field of conflict resolution.

*Scale.* The Hewlett Foundation typically seeks impact on a large scale. For example, the Population Program seeks to improve the quality and availability of family planning services for millions of people; the Environment Program seeks to protect vast landscapes in the West and reduce global CO<sub>2</sub> emissions. In addition to strengthening the fields in which the Foundation works, strategies that the Foundation employs to achieve large-scale impact include demonstration or pilot projects and their replication; research and evaluation to assess the effectiveness of particular theories or strategies of change; and the dissemination of knowledge for the benefit of professionals, citizens, and policymakers.

*Taking Risks.* A considerable part of the Hewlett Foundation’s grants budget is devoted to relatively risky investments that have the potential for high social returns. A “risky” investment in this sense is one where the desired outcome—for example, restoring an endangered ecosystem or improving the lives of disadvantaged youth—is by no means assured. Responsible risktaking requires specifying the intended outcomes and measures of success and monitoring progress during the implementation of a grant. There are other forms of risk as well—for example, the risk to the Foundation’s rep-

utation when it supports a controversial project, or the possibility of a well-intentioned philanthropic initiative causing unintended harms—that can be mitigated only by watchfulness and good judgment.

### *Identifying and Strengthening Effective Organizations*

The Hewlett Foundation invests in promising start-ups as well as mature organizations with strong performance histories. In either case, the due diligence process begins by identifying excellent organizations that are well aligned with the Foundation's program objectives. We look to the quality of the organization's strategic and business plans, the strength of its management, its inclusiveness, its capacity to innovate, and its overall effectiveness. Concomitant with the funding decision is agreement about our shared objectives and the assessment of progress during the course of the grant.

Both at the start and during the course of the relationship, the Foundation stands ready to help strengthen an organization's capacity to carry out its activities—for example, through strategic planning and the design of management information systems. The Performing Arts and U.S.–Latin American Relations programs regularly provide such assistance to the smaller organizations in their portfolios.

### *Goals, Roadmaps, and Milestones*

The Foundation's aim of achieving long-term impact on social and environmental problems demands clarity of objectives and the means for achieving them. It also requires systematic assessment of progress toward those objectives and the ability to make mid-course corrections.

*Causal Theory.* The precondition to achieving impact is a sound causal theory, sometimes called a “theory of change” or “logic model.” This is a theory of how the grantee's and the Foundation's resources can be deployed to attain our shared objectives or outcomes. In its simplest form, a causal theory takes this form—

Inputs → activities and outputs → outcomes

—where *inputs* consist of the grantee's organizational capacity, the Foundation's financial resources, and our respective expertise; *activ-*

*ities* and *outputs* are what the grantee actually does or delivers; and *outcomes* are the ultimate results the Foundation and grantee plan to achieve. Here is a very simple example from the Population Program:

Many of our grants seek, as their *ultimate outcome*, the stabilization of population size in rapidly growing developing countries. This requires the *intermediate outcome* of reducing birth rates, which can be achieved through the *activities* of providing women and men with family-planning services. These services are the grantees' *outputs*. The main *inputs* consist of the Foundation's funds and the grantees' expertise about how most effectively to provide such services in a particular region.

While the process of implementation moves from inputs to activities and outputs to outcomes, the process of designing the causal theory begins with outcomes: One must first posit a desired outcome, and then determine what inputs and activities are necessary to produce it.

*Degrees of Confidence in Causal Theories.* The strength of the causal theory underlying an organization's pursuit of a particular objective may range from an intuitively plausible *hunch*, to a *hypothesis* based on a considered theory with some empirical basis, to a *well-established theory*. For example, the belief that carbon dioxide emissions cause global warming began as a hunch, developed into a plausible hypothesis, and, after years of modeling and empirical study, is now a widely accepted theory.

The causal theory underlying the preceding example from the Population Program is well established. However, there may be other activities that conduce to the same outcome of stabilizing population size that have additional social benefits, but are less well understood. Thus, the Foundation is also supporting research into the hypothesis that providing universal basic education in developing countries reduces birth rates.

*Rationales for Supporting Hunches and Hypotheses.* Philanthropy has an important role throughout the spectrum of causal theories. At the more speculative end of the spectrum, foundations can take risks that government or the private sector cannot or will

not take, with the hope of advancing knowledge and achieving impact.

A necessary corollary of such risktaking is evaluation to learn how the risks turned out. In other words, a key task of evaluation is to move from a hunch or hypothesis toward a well-established (or disproved) theory. Although hunches and hypotheses often need a period of incubation, all theories must eventually be tested. Especially in the social sciences, this can be a complex and sometimes frustrating process, requiring:

- Long-term commitment and financial support;
- Integrating quantitative measurement (e.g., experimental designs) and qualitative assessment (e.g., case studies);
- Being alert to unanticipated consequences—both positive and negative;
- The adroit use of intermediate indicators of progress; and
- Patience.

The evaluation of a causal theory tends to focus not on an individual grantee but on a particular approach to addressing a social or environmental problem. Because the Hewlett Foundation generally seeks to improve the fields in which it works, we are prepared to commit substantial resources to such knowledge-building evaluation.

*Rationales for Supporting Well-Established Theories.* There are many cases—population is a paradigmatic example—where theories may be well established but their implementation is not well supported by government or the private sector. Foundations have an important role to play here as well. It should be noted that we do not dispense with evaluation even with respect to well-established theories. Almost every theory needs continual testing, especially when it may be sensitive to the circumstances surrounding its application: What succeeds in Bangladesh may fail in Brazil.

*Assessment of Progress Toward the Foundation's and Grantee's Shared Objectives.* Whether a grantee organization is exploring a hunch or implementing a well-established theory, the Foundation and the organization must have a clear mutual understanding about how progress toward our objectives will be gauged. And because it



may take many years to assess ultimate outcomes—and measurement may be difficult even then—we must agree on *intermediate indicators* of progress. For example, if a population organization's ultimate objectives are to stabilize population growth and improve reproductive health, an intermediate indicator might be couples' increased use of contraceptives. If a community environmental group's ultimate goal is to promote healthy ecosystems and protect biodiversity, an intermediate indicator might be the mitigation of environmental threats. Sometimes barriers will be encountered, and positive intermediate indicators will not lead to intended outcomes. Without success at the intermediate stages, however, there is little reason to expect that the desired outcomes will ever be achieved.

The primary reason for assessing progress is to provide the organization itself with ongoing feedback to facilitate mid-course corrections and improve its effectiveness. But the assessment of progress also ensures the organization's accountability to the Foundation, improves our own grantmaking, and develops knowledge of value to the field.

There is much talk of “metrics” in the nonprofit sector these days. Though this is a healthy corrective for organizations that often have not focused on outcomes, it is important not to be obsessed with numbers. As Albert Einstein famously remarked: “Not everything that can be counted counts, and not everything that counts can be counted.” While we and our grantees should strive to measure progress toward our shared objectives, perhaps the most important result of this process is clarity about what those objectives are, how they will be achieved, and how we will know if we are on the path to success.

### *Organizing the Foundation for Effective Philanthropy*

The Foundation's staff is charged with developing specific strategies to achieve the overall aims set by the Board of Directors. This requires articulating objectives for each program, determining which grants and other activities are most likely to achieve them,

and selecting and working with organizations to carry out our shared mission. The fact that many of our grants are designated for general operating support does not reduce the demands on program staff to plan and act strategically. On the one hand, it adds to the burdens of due diligence; on the other, it provides the Foundation with strong partners in both planning and implementation.

The Hewlett Foundation has a staff of extraordinary quality and deep expertise, whose size is relatively small compared to the size of our grants budget. Though a small staff is not an end in itself, it facilitates collegial interaction conducive to creativity and collaboration, and controls administrative expenses.

It is a rare organization, whether in the public or private sector, that can do many different things effectively. Achieving real impact requires focusing the Foundation's financial and human resources on a limited number of social and environmental problems, and scaling those resources to the nature of the problems tackled. Thus, we are moving toward having fewer and more strategically focused initiatives within the Foundation's programs.

Foundations do not operate in isolation but are linked together in networks with other funders and organizations. Although each funder must ultimately determine its own objectives and assure itself that its grant monies are spent wisely and effectively, collaboration can have advantages for all concerned. It makes possible larger aggregate investments in high-performing organizations and permits sharing the responsibilities for due diligence and knowledge building. Thus, the Hewlett Foundation has engaged in collaborative ventures—including joint funding of MIT's OpenCourseware project, mentioned earlier, with the Andrew W. Mellon Foundation—and we welcome future collaboration with other foundations.

### *Evaluating the Foundation's Own Performance*

Earlier parts of this essay address the evaluation of the work of the organizations we support—because the Foundation's own success ultimately depends on their work. Just as the assessment of their work cannot await ultimate outcomes, we must look for interme-

diate indicators of our own performance with respect to practices such as:

- Articulating clear objectives for grantmaking and knowledge building;
- Doing effective due diligence in selecting organizations;
- Assessing progress and impact in achieving shared objectives;
- Playing an effective role in fields in which we work;
- Strengthening grantees' capacity to achieve their goals;
- Allocating resources appropriate to the problem tackled and taking appropriate risks;
- Holding ourselves and our grantees mutually accountable; and
- Acknowledging and learning from failure.

I have focused on technical or instrumental aspects of the Hewlett Foundation's approach to philanthropy—with the ultimate mission of addressing the most serious problems facing society. We could not succeed in this mission without the passion of the Foundation's Board and staff and that of the many hundreds of organizations we support. Without the capacity to move beyond passion to effective execution, however, the nonprofit sector would be left largely with well-meaning efforts that conflate intentions with effect. The processes described in this essay are designed to move the Foundation from good intentions to actual impact.

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